

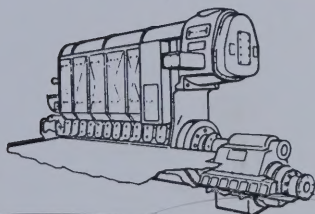
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Annual Report

1962

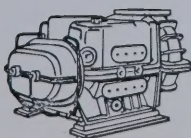
MAY 21 1963



**Canadian Locomotive Company
Limited**

KINGSTON, ONTARIO

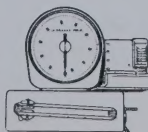
**Manufacturers and Distributors of
Fairbanks-Morse Products**



COMPRESSORS



PUMPS



SCALES

CANADIAN LOCOMOTIVE COMPANY, LIMITED

REPORT TO THE SHAREHOLDERS

TO THE SHAREHOLDERS:

Shipments for the year ended December 31st, 1962, increased slightly, even though no locomotives were billed during that 12-month period. The decline in locomotive and locomotive spare parts shipments was partially offset by a substantial increase in shipments of Fairbanks-Morse marine Diesel engines, scales, pumps and spare parts. Licensed product shipments and custom fabrication billings were considerably above 1961.

While billings increased slightly over 1961, plant utilization was down 12½% due to the lack of locomotive business. Gross profits were impaired by start-up costs on new product lines, extra costs of duty surcharges and the devaluation of the Canadian dollar — expenses which in many cases could not be recovered from customers.

While selling expenses were reduced \$100,000 from 1961, additional provisions for bad and doubtful accounts were made because of the changing nature of the business. The net result of all the foregoing was a loss for the year of \$351,000.

As part of a long-range rehabilitation plan, the board of directors approved a program to discontinue certain product lines and to reorganize and rehabilitate the company's manufacturing facilities. Provisions have been made for estimated losses resulting from the liquidation and disposition of product lines and other expenses relating to the reorganization and rehabilitation of manufacturing facilities. A special charge of \$510,400 was made to provide for this plan.

During the year the company sold its separate head office building at 140 Ontario Street, Kingston (built in 1928). The Company will continue to occupy these offices for several months, until other accommodations are provided within the plant across the street. The profit from the disposal of the office building has been added to the reserve for reorganization and rehabilitation.

The company also adjusted its valuation of inventories to recognize excess quantities and obsolescence, and changed its treatment of warranty expense and engineering development costs, resulting in a special charge of \$358,243.

Net loss for the year and special charges totalled \$1,219,316, increasing accumulated deficit to \$1,572,018. Accordingly, no dividends were authorized or paid during the year.

The company in 1962 paid out \$149,300 in employee benefit programs, including pensions, group insurance, hospitalization plan, compensation insurance, unemployment insurance, and holiday and vacation pay.

During the year, the company added the Tex-Vit line of packaged sewage lift stations to its products. In view of the increasing emphasis on proper sewage treatment and disposal and water purification, this product line, which is well-suited to our plant facilities, offers a large and increasing sales volume potential.

At the year end, the company had an order backlog of \$1,780,000 — an increase of \$1,000,000 over 1961.

The Board of Directors wishes to express its appreciation for the continued support and co-operation received during the year from employees, shareholders, and customers of Canadian Locomotive Company, Limited.

Submitted in behalf of the Board.

C. I. ALLEN, President.

April 10, 1963
Kingston, Ontario

NOTES (cont'd)

- (2) Changes in valuation of inventories and treatment of warranty expenses and engineering costs applicable to new products:

(a) **Inventories—**

In connection with revised operating standards instituted by management with respect to inventory turnover, provision has been made for anticipated losses relating to the disposition of inventory quantities in excess of the recently established standards.

\$339,000

(b) **Warranty expenses and engineering costs applicable to new products—**

In previous years, the Company amortized engineering costs applicable to new products over a period of four years and recorded warranty expenses at the time claims were made by customers. These policies have been revised so that all engineering costs applicable to new products are charged to expenses as incurred and estimated warranty expenses are recorded on the basis of the related sales.

\$ 19,243

\$358,243

These changes had no significant effect on the loss for the year ended
December 31, 1962.

AUDITORS' REPORT

ARTHUR ANDERSEN & CO.

44 King Street West
Toronto 1

To the Shareholders,

Canadian Locomotive Company, Limited:

We have examined the balance sheet of CANADIAN LOCOMOTIVE COMPANY, LIMITED (a Canada corporation) as of December 31, 1962, and the statements of income (loss) and earned surplus (deficit) for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As outlined in Note 2 to the financial statements, the Company has made adjustments, to conform to present economic conditions, in valuation of inventories and treatment of warranty expenses and engineering costs applicable to new products. These changes have our approval. Otherwise, the accounting principles followed by the Company have been applied, in our opinion, on a basis consistent with that of the preceding year.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the Company, the accompanying balance sheet and statements of income (loss) and earned surplus (deficit) present fairly the financial position of Canadian Locomotive Company, Limited as of December 31, 1962, and the loss for the year then ended, and were prepared in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN & CO.
Chartered Accountants.

Toronto, Ontario,
February 22, 1963.

CANADIAN LOCOMOTIVE COMPANY, LIMITED

BALANCE SHEET — DECEMBER 31, 1962

ASSETS

CURRENT ASSETS:

Cash		\$ 142,735
Accounts receivable (less allowance for doubtful accounts of \$42,000)		993,124
Inventories, at the lower of cost (first-in, first-out) or market —		
Finished goods	\$ 194,177	
Work in process	569,189	
Raw materials	535,280	1,298,646
Prepaid expenses		43,576
Total current assets		<u>\$2,478,081</u>

PROPERTY, PLANT AND EQUIPMENT, at cost	\$3,607,802	
Less — Accumulated depreciation	<u>2,654,559</u>	953,243

PATENTS		<u>1</u>
		<u>\$3,431,325</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities		\$ 232,629
Accrued sales taxes		9,588
Payable to affiliate, Fairbanks, Morse & Co. (U.S. \$631,505)		682,025
Total current liabilities		<u>\$ 924,242</u>

PROVISION FOR ESTIMATED COSTS OF PROGRAM FOR REORGANIZATION AND REHABILITATION OF MANUFACTURING FACILITIES (Note 1)		449,840
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CAPITAL STOCK AND EARNED SURPLUS (DEFICIT):

Capital stock —		
Common shares, without nominal or par value —		
Authorized and issued, 250,000 shares	\$3,629,261	
Earned surplus (deficit)	(1,572,018)	2,057,243
		<u>\$3,431,325</u>

The accompanying notes are an integral part of this statement.

Signed on behalf of the Board,

C. I. ALLEN, Director

J. A. BERGENDAHL, Director

CANADIAN LOCOMOTIVE COMPANY, LIMITED

Statements of Income (Loss) and Earned Surplus (Deficit)

For The Year Ended December 31, 1962

Loss for the year before the following charges		\$ (218,038)
Executive salaries	\$ 48,407	
Legal fees	3,264	
Directors' fees	—	
Provision for depreciation	80,964	132,635
Net loss for the year		<u>\$ (350,673)</u>

SPECIAL CHARGES:

Provision for estimated cost of program for reorganization and rehabilitation of manufacturing facilities and losses relating to discontinuation of certain product lines (Note 1)	\$ 510,400	
Adjustments to reflect changes in valuation of inventories, and treatment of warranty expenses and engineering costs applicable to new products (Note 2)	358,243	868,643
Net loss for the year and special charges		<u>\$ (1,219,316)</u>

EARNED SURPLUS (DEFICIT),

at beginning of year (352,702)

EARNED SURPLUS (DEFICIT), at end of year \$ (1,572,018)

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1962

- (1) Provision for estimated cost of program for reorganization and rehabilitation of manufacturing facilities, and losses relating to discontinuation of certain product lines:

The Board of Directors has approved a program for the discontinuation of certain product lines, and for the reorganization and rehabilitation of the Company's manufacturing facilities. Provisions have been made for estimated losses relating to the liquidation and disposition of product lines and for the estimated standby, termination, start-up, and other costs relating to the program for reorganization and rehabilitation of manufacturing facilities.

CANADIAN LOCOMOTIVE COMPANY, LIMITED

DIRECTORS:

C. I. ALLEN	A. L. JACOBY
G. R. ANDERSON	D. I. MARGOLIS
J. A. BERGENDAHL	F. C. O'CONNOR
R. H. GRIEBEL	F. R. O'LEARY
D. W. HOLLOMAN	CARLTON SKINNER
A. L. WEST	

EXECUTIVE OFFICERS:

A. L. JACOBY, Chairman of the Board
C. I. ALLEN, President
J. A. BERGENDAHL, Vice President — Manufacturing
R. L. BOYNTON, Treasurer
E. M. GILMORE, Secretary
G. R. MARLOW, Assistant Secretary
D. E. O'KEEFE, Assistant Secretary

TRANSFER AGENT AND REGISTRAR:

NATIONAL TRUST COMPANY LIMITED
Toronto, Ontario
Montreal, Quebec

AUDITORS:

ARTHUR ANDERSEN & CO., CHARTERED ACCOUNTANTS